

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Allendale Charter Township	County Ottawa
Fiscal Year End 12-31-07	Opinion Date 4-14-08	Date Audit Report Submitted to State 4-30-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

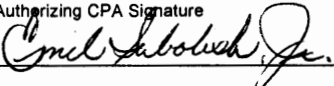
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC		Telephone Number 616-772-4615	
Street Address 205 East Main Street		City Zeeland	State MI
		Zip 49464	
Authorizing CPA Signature 		Printed Name Emil Sabolish, Jr.	License Number 1101009304

ALLENDALE CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2007

KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan

Allendale Charter Township, Michigan
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2007

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Allendale Charter Township
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2007

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INDEPENDENT AUDITOR'S REPORT

April 14, 2008

Township Board
Allendale Charter Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of Allendale Charter Township, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allendale Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allendale Charter Township, Michigan, as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allendale Charter Township, Michigan's basic financial statements. The other supplemental data, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekover, Scholma & Shumaker, PC

Management's Discussion and Analysis

As management of Allendale Charter Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

Financial Highlights

- The assets of Allendale Charter Township exceeded its liabilities at the close of the most recent fiscal year by \$28,128,806 (*net assets*). Of this amount, \$4,449,265 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$2,748,465. This is reflected in an increase in capital assets, net of related debt, of \$2,351,982, a decrease in restricted assets of \$44,562, and an increase in unrestricted net assets of \$441,045.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,159,960, an increase of \$36,382 in comparison with the prior year. Approximately 93.8% of this total amount, \$1,087,819, is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$927,948 or 44% of total general fund expenditures and transfers out.
- The Township's total debt increased by \$1,436,504 (16%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$584,088 while incurring \$2,020,592 in new debt during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, state shared revenues, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the Township include water supply and sewage disposal operations.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also its component units. The Downtown Development Authority - Development and Downtown Development Authority - Leprino, are entities legally separate from the Township. Each is governed by a twelve-member board appointed by the Township Board. The Authorities are fiscally dependent on the Township because tax rates for the Downtown Development Authority districts and bonded debt must be approved by the Township Board.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. The Township has six (6) nonmajor funds. These include five special revenue funds and one debt service fund. Data from the other six governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its water supply and sewage disposal operations.

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail and information, such as cash flows. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 6-8 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The Township accounts for one type of fiduciary funds – agency funds. Two agency funds are maintained to account for tax collections and the funds of the Allendale Historical Society.

The basic fiduciary fund financial statement can be found on page 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparisons for the Township's General Fund found on pages 23-24 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These combining statements can be found on pages 25-26 of this report.

Statements for the Township's discreetly presented component units can be found on pages 27-30 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Allendale Charter Township, assets exceeded liabilities by \$28,128,806 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (84%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, water and sewer systems and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (0.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,449,265) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of Allendale Charter Township as of December 31, 2007 and 2006.

TABLE 1 - Allendale Charter Township's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 2,089,797	\$ 1,979,359	\$ 3,440,082	\$ 3,132,965	\$ 5,529,879	\$ 5,112,324
Capital assets	2,811,792	2,949,016	31,101,106	27,175,396	33,912,898	30,124,412
Total assets	4,901,589	4,928,375	34,541,188	30,308,361	39,442,777	35,236,736
Long-term debt outstanding	150,144	265,440	10,155,354	8,603,554	10,305,498	8,868,994
Other liabilities	806,700	750,791	201,773	236,610	1,008,473	987,401
Total liabilities	956,844	1,016,231	10,357,127	8,840,164	11,313,971	9,856,395
Net assets:						
Invested in capital assets, net of related debt	2,661,648	2,683,576	20,945,752	18,571,842	23,607,400	21,255,418
Restricted	72,141	116,703	-	-	72,141	116,703
Unrestricted	1,210,956	1,111,865	3,238,309	2,896,355	4,449,265	4,008,220
Total net assets	\$ 3,944,745	\$ 3,912,144	\$ 24,184,061	\$ 21,468,197	\$ 28,128,806	\$ 25,380,341

Change in Net Assets – As shown in Table 2 (changes in net assets) the Township's total revenues were approximately \$8,595,000 for the current year, of which 8.3% was obtained from property taxes. Charges for services accounted for another 37.5% of the total, State shared revenues 11.2 %, operating grants .6%, and capital grants and contributions (mostly in the form water and sewer assessments and developer contributions of systems) another 38.4%. The balance of the Township's revenues was primarily derived from interest earnings and other sources. The total cost of all programs and services for the year ended December 31, 2007 was approximately \$5,896,000. Township expenses cover a wide range of services. For the current fiscal year, about 13.6% of the Township's expenses related to general government services, 15.8% related to public safety, 7.5% related to recreation and culture, and 56.92% related to the provision of water and sewage disposal services.

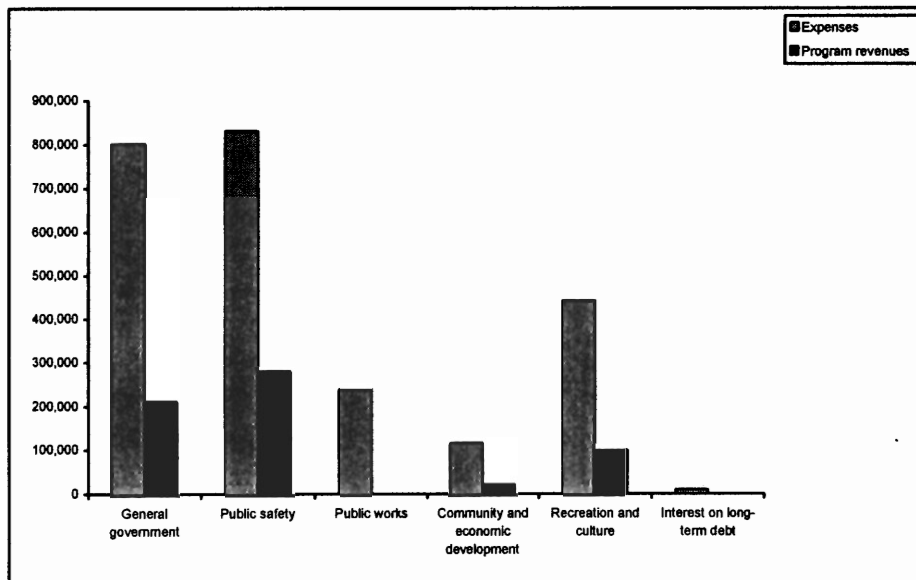
Net assets increased by \$32,601 for the Township's governmental activities. Net assets for business-type activities increased by \$2,715,864 during the year (with an increase in the net investment in business-type capital assets of \$2,373,910 and an increase in unrestricted net assets of \$341,954).

The following analysis highlights the changes in net assets for the year ended December 31, 2007 and 2006.

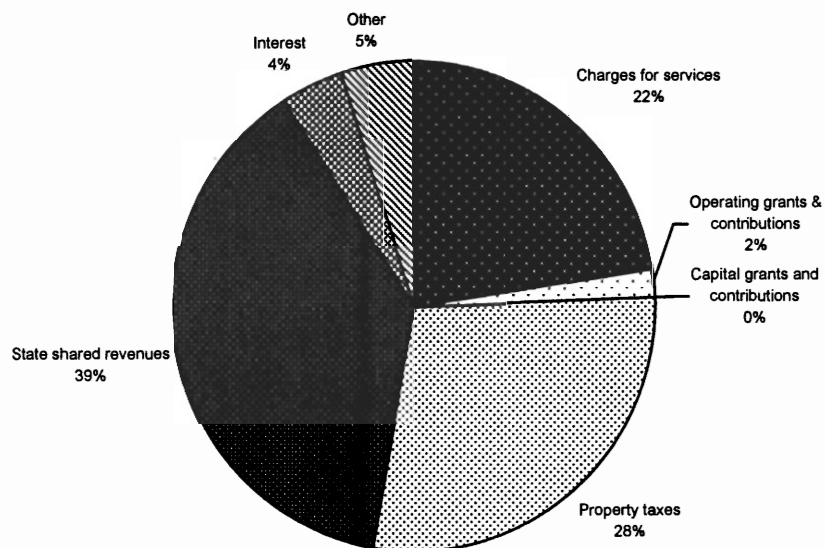
TABLE 2 - Allendale Charter Township's Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Program revenues						
Charges for services	\$ 567,118	\$ 544,437	\$ 2,658,329	\$ 2,375,021	\$ 3,225,447	\$ 2,919,458
Operating grants and contributions	49,986	65,104	-	-	49,986	65,104
Capital grants and contributions	-	-	3,300,420	1,208,063	3,300,420	1,208,063
General revenues						
Property taxes	716,639	670,298	-	-	716,639	670,298
State shared revenues	962,150	956,129	-	-	962,150	956,129
Interest	104,140	82,816	111,198	82,110	215,338	164,926
Other	124,862	79,713	-	-	124,862	79,713
Total revenues	<u>2,524,895</u>	<u>2,398,497</u>	<u>6,069,947</u>	<u>3,665,194</u>	<u>8,594,842</u>	<u>6,063,691</u>
Program expenses						
General government	803,353	762,478	-	-	803,353	762,478
Public safety	931,263	881,397	-	-	931,263	881,397
Public works	238,440	188,311	-	-	238,440	188,311
Community and economic development	117,188	116,130	-	-	117,188	116,130
Recreation and culture	442,821	415,142	-	-	442,821	415,142
Interest on long-term debt	9,229	15,613	-	-	9,229	15,613
Water and sewer	-	-	3,354,083	2,932,701	3,354,083	2,932,701
Total expenses	<u>2,542,294</u>	<u>2,379,071</u>	<u>3,354,083</u>	<u>2,932,701</u>	<u>5,896,377</u>	<u>5,311,772</u>
Change before transfers	(17,399)	19,426	2,715,864	732,493	2,698,465	751,919
Transfers in from component unit	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Change in Net Assets	<u>\$ 32,601</u>	<u>\$ 69,426</u>	<u>\$ 2,715,864</u>	<u>\$ 732,493</u>	<u>\$ 2,748,465</u>	<u>\$ 801,919</u>

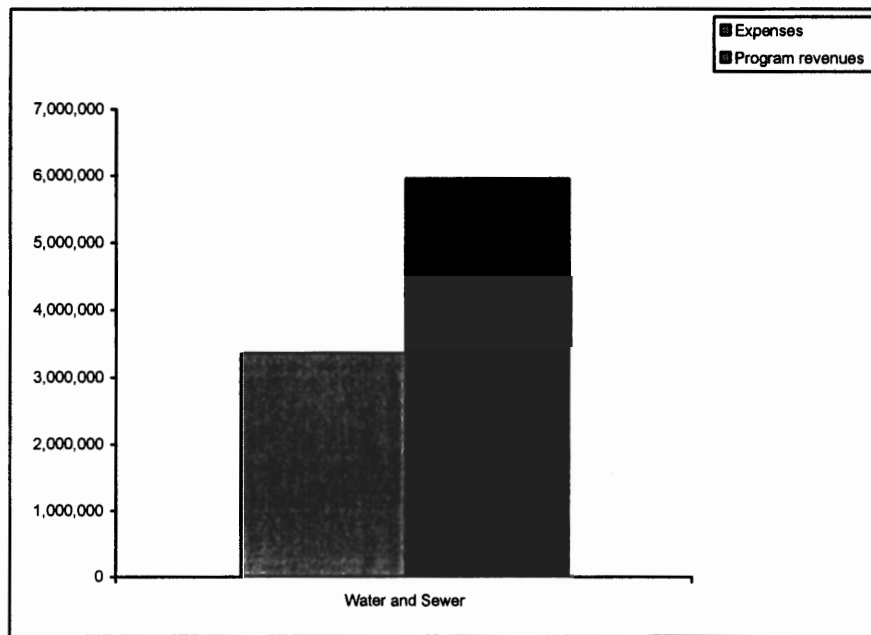
Expenses and Program Revenues – Governmental Activities



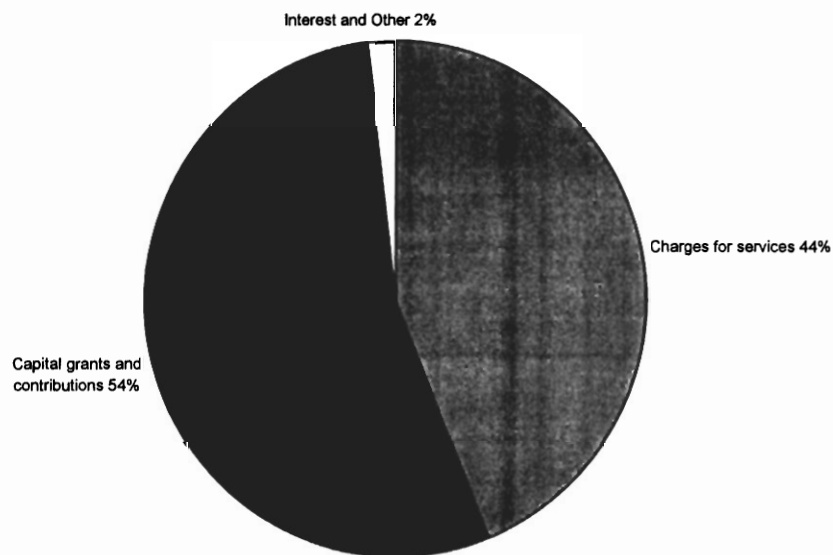
Revenues by Source – Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Township's Funds

Governmental Funds - Our analysis of the Township's major funds begins on page 3, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major funds for 2007 consist only of the General Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues and other financing sources for fiscal year 2007 increased by \$85,546 or 4.1%. Property tax revenues increased by \$49,758 or 8.9%. State shared revenues decreased by \$25,560 or 2.5%. All other General Fund revenue sources increased by \$61,348. During 2007 the General Fund received a transfer from the DDA Development of \$50,000, the same as in the prior year.

General Fund expenditures increased in 2007 by \$166,195 or 8.7%. The most significant changes occurred in the categories of General Government (increase of \$46,800), Public Works (increase of \$52,261) and Recreation and Culture (increase of \$45,095).

The December 31, 2007 fund balance of the general fund is \$927,948 which is all unreserved. This is an increase of \$57,021 from the prior year. The \$927,948 unreserved fund balance is approximately 44% of 2007 expenditures and operating transfers to other funds which amounted to \$2,125,811.

Proprietary Funds – Allendale Charter Township's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities) but in more detail. The Township's proprietary funds are comprised of the Water and Sewer Fund. Water user rates increased by 4.8% in 2007.

Operating revenues for the Water and Sewer Fund increased in fiscal year 2007 by \$283,308 from \$2,375,021 to \$2,658,329. Operating expenses, excluding depreciation, increased in fiscal year 2007 by \$260,343 from \$2,134,656 to \$2,394,999 due mainly to higher operation and maintenance costs.

Unrestricted net assets of the Water and Sewer Fund were \$3,238,309 at December 31, 2007. Of this amount, \$1,807,060 is designated for capital projects. The Water and Sewer Fund had a total increase in net assets of \$2,715,864.

During fiscal year 2007, the Township added approximately \$4.62 million of capital assets to its water and sewer systems, including approximately \$2.2 million of capital assets contributed by developers and others.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Budgeted revenues were increased to reflect additional license and permit fees, charges for services, and interest revenues. The most significant changes to the budget for expenditures were increases for additional expenditures related to the assessor's office, attorney services, street lighting, and park maintenance. Township operational departments generally stayed within budgeted amounts, resulting in total expenditures \$106,460 below the final budget. The General Fund's fund balance increased by \$57,021 compared to a budgeted decrease of \$143,441.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounted to \$33,912,898 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads and sidewalks, and water and sewer systems. The Township's investment in capital assets for the current fiscal year decreased \$137,224 (4.7%) for governmental activities and increased \$3,925,710 (10.8%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$2,355,000 expended for construction of water and sewer systems
- \$2,152,000 of water and sewer systems contributed by developers and others

Additional information on the Township's capital assets can be found in note 3C on pages 17-18 of this report.

Allendale Charter Township's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 329,904	\$ 329,904	\$ 159,401	\$ 159,401	\$ 489,305	\$ 489,305
Construction in progress	-	-	2,244,801	966,429	2,244,801	966,429
Buildings and improvements	1,508,164	1,565,169	109,105	117,405	1,617,269	1,682,574
Land improvements	339,564	366,453	-	-	339,564	366,453
Systems	-	-	28,518,619	25,850,645	28,518,619	25,850,645
Machinery, equipment, vehicles	619,119	671,333	69,180	81,516	688,299	752,849
Infrastructure	15,041	16,157	-	-	15,041	16,157
Total	<u>\$ 2,811,792</u>	<u>\$ 2,949,016</u>	<u>\$ 31,101,106</u>	<u>\$ 27,175,396</u>	<u>\$ 33,912,898</u>	<u>\$ 30,124,412</u>

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$10,305,498. Of this amount, \$150,144 is to be paid by governmental funds and \$10,155,354 is to be paid from water and sewer fund revenue sources.

Allendale Charter Township's Outstanding Debt General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 110,000	\$ 210,000	\$ -	\$ -	\$ 110,000	\$ 210,000
County revolving fund notes payable	-	-	113,226	182,018	113,226	182,018
Water Supply & Sewage Disposal bonds	-	-	3,645,000	3,740,000	3,645,000	3,740,000
Michigan Municipal Bond Authority bonds	-	-	6,397,128	4,681,536	6,397,128	4,681,536
Notes and land contracts payable	40,144	55,440	-	-	40,144	55,440
Total	<u>\$ 150,144</u>	<u>\$ 265,440</u>	<u>\$ 10,155,354</u>	<u>\$ 8,603,554</u>	<u>\$ 10,305,498</u>	<u>\$ 8,868,994</u>

Total outstanding debt increased by \$1,436,504 during the current year. This was a result of the Township making its required scheduled debt payments of \$584,088 while incurring \$2,020,592 in new debt during the year.

Additional information on the Township's long-term debt can be found in Note 3E on pages 20-22 of this report.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 calls for a slight reduction in the overall property tax rate. The Township will be levying 3.0692 mills on an ad valorem taxable value of \$336,028,744. That represents a 0.0330 reduction in millage and an increase of \$38,028,744 in ad valorem taxable value. The 0.0330 reduction in millage is a reduction in the millage levied for debt service payments on the Township Library building. The millage reduction is possible because, once again, the Township's taxable value grew significantly over the prior year. The Township Board has determined that the Township's operating millage will remain 2.2274 mills, the same as it has been since 2000.

The general operating revenues for 2007 are projected to be approximately 4% higher than they were in 2007. We anticipate reductions in the administration fee charged for the collection of taxes because the Township Board lowered the rate from 0.75% to 0.50%. That reduction will be offset by an anticipated increase in property taxes revenues. As has been historically done, a portion of the unreserved fund balance will be used to balance the General Fund budget. For 2008 that amount is \$98,575. General operating expenditures for 2008 are projected to be approximately 6% higher than they were in 2007. That increase is due primarily to increased electrical costs for street lighting, planned replacement of the roof on the Township hall and two scheduled elections.

The Township's water and sewer department remains very busy. As in prior years, single family residential building remains depressed. However, Allendale Charter Township has experienced tremendous growth in commercial development. Continued development of apartments and townhomes around Grand Valley State University has added a significant amount of water and sewer lines to the Township's system. All indications are that this trend will continue well into 2008. In 2008 the Township will be completing the Drinking Water Revolving Fund project begun in 2007. The conclusion of that work will bring online a new pumping station that will give the Township's water system added reliability. In 2008 the Township will also work cooperatively with Allendale Public Schools by helping to build and supervising construction of new utilities on their new campus.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township Supervisor's office.

Basic Financial Statements

Allendale Charter Township
STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government			Component Units	
	Governmental Activities	Business Type Activities	Total	DDA Development	DDA Leprino
ASSETS					
Cash and investments	\$ 1,000,777	\$ 2,227,733	\$ 3,228,510	\$ 724,276	\$ 168,280
Receivables:					
Taxes	666,292	-	666,292	119,516	-
Accounts	62,379	608,879	671,258	137,881	-
Special assessments	8,433	403,550	411,983	-	-
Due from other governments	334,794	-	334,794	-	-
Inventories	-	45,939	45,939	-	-
Prepaid items	17,122	153,981	171,103	-	-
Capital assets	<u>2,811,792</u>	<u>31,101,106</u>	<u>33,912,898</u>	<u>2,278,726</u>	<u>-</u>
 Total Assets	 <u>4,901,589</u>	 <u>34,541,188</u>	 <u>39,442,777</u>	 <u>3,260,399</u>	 <u>168,280</u>
LIABILITIES					
Accounts payable	36,287	107,028	143,315	191,417	-
Accrued liabilities	2,074	72,653	74,727	-	-
Accrued payroll	55,531	22,092	77,623	-	-
Deferred revenue	712,808	-	712,808	457,973	27,179
Noncurrent liabilities:					
Due within one year	125,488	625,885	751,373	180,938	-
Due in more than one year	<u>24,656</u>	<u>9,529,469</u>	<u>9,554,125</u>	<u>32,548</u>	<u>-</u>
 Total Liabilities	 <u>956,844</u>	 <u>10,357,127</u>	 <u>11,313,971</u>	 <u>862,876</u>	 <u>27,179</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,661,648	20,945,752	23,607,400	2,065,240	-
Restricted for:					
Construction code activities	69,974	-	69,974	-	-
Debt service	2,167	-	2,167	-	141,101
Unrestricted	<u>1,210,956</u>	<u>3,238,309</u>	<u>4,449,265</u>	<u>332,283</u>	<u>-</u>
 Total Net Assets	 <u>\$ 3,944,745</u>	 <u>\$ 24,184,061</u>	 <u>\$ 28,128,806</u>	 <u>\$ 2,397,523</u>	 <u>\$ 141,101</u>

Allendale Charter Township
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

Function/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business Type Activities	DDA Development	DDA Leprino
Primary Government:								
Governmental Activities:								
General government	\$ 803,353	\$ 213,137	\$ -	\$ -	\$ (590,216)	\$ -	\$ (590,216)	
Public safety	931,263	242,802	37,678	-	(650,783)	-	(650,783)	
Public works	238,440	-	-	-	(238,440)	-	(238,440)	
Community and economic development	117,188	12,235	12,308	-	(92,645)	-	(92,645)	
Recreation and culture	442,821	98,944	-	-	(343,877)	-	(343,877)	
Interest on long-term debt	9,229	-	-	-	(9,229)	-	(9,229)	
Total Governmental Activities	2,542,294	567,118	49,986	-	(1,925,190)	-	(1,925,190)	
Business-type activities:								
Water and sewer	3,354,083	2,658,329	-	3,300,420	-	2,604,666	2,604,666	
Total Primary Government	\$ 5,896,377	\$ 3,225,447	\$ 49,986	\$ 3,300,420	(1,925,190)	2,604,666	679,476	
Component Units:								
DDA Development	\$ 289,272	\$ -	\$ -	\$ 161,162			\$ (128,110)	\$ -
DDA Leprino	251,261	-	-	-			-	(251,261)
Total Component Units	\$ 540,533	\$ -	\$ -	\$ 161,162			(128,110)	(251,261)
General revenues:								
Property taxes					716,639	-	1,041,870	292,336
State shared revenues					962,150	-	-	-
Interest					104,140	111,198	24,058	2,547
Gain on sale of capital assets					1,800	-	-	-
Other					123,062	-	-	-
Transfers					50,000	-	(50,000)	-
Total General Revenues and Transfers					1,957,791	111,198	1,015,928	294,883
Change in Net Assets					32,601	2,715,864	887,818	43,622
Net Assets - Beginning					3,912,144	21,468,197	1,509,705	97,479
Net Assets - Ending					\$ 3,944,745	\$ 24,184,061	\$ 2,397,523	\$ 141,101

Allendale Charter Township
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 731,870	\$ 268,907	\$ 1,000,777
Receivables:			
Taxes	586,379	79,913	666,292
Accounts	60,919	1,460	62,379
Special assessments	-	8,433	8,433
Due from other governments	169,670	-	169,670
Prepaid expenses	14,823	2,299	17,122
 Total Assets	 <u>\$ 1,563,661</u>	 <u>\$ 361,012</u>	 <u>\$ 1,924,673</u>
LIABILITIES			
Accounts payable	\$ 31,862	\$ 4,425	\$ 36,287
Accrued payroll	6,454	1,175	7,629
Deferred revenue	597,397	123,400	720,797
 Total Liabilities	 <u>635,713</u>	 <u>129,000</u>	 <u>764,713</u>
FUND BALANCES			
Reserved:			
Construction code activities	-	69,974	69,974
Debt service	-	2,167	2,167
Unreserved-reported in:			
General Fund	927,948	-	927,948
Special Revenue Funds	-	159,871	159,871
 Total Fund Balances	 <u>927,948</u>	 <u>232,012</u>	 1,159,960
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,563,661</u>	 <u>\$ 361,012</u>	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,811,792
State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures	165,124
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures	7,989
Compensated absences are included as a liability in governmental activities	(47,902)
Interest accrued on outstanding notes payable is not reported in the funds	(2,074)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(150,144)
 Net Assets of Governmental Activities	 <u>\$ 3,944,745</u>

Allendale Charter Township
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 607,318	\$ 109,321	\$ 716,639
Licenses and permits	127,906	231,295	359,201
State shared revenues and grants	997,394	-	997,394
Charges for services	44,832	27,290	72,122
Fines and forfeits	90,379	-	90,379
Interest and rent	94,725	9,415	104,140
Other	170,278	4,754	175,032
Total Revenues	<u>2,132,832</u>	<u>382,075</u>	<u>2,514,907</u>
Expenditures:			
Current:			
General government	712,999	1,037	714,036
Public safety	567,356	273,931	841,287
Public works	186,941	46,194	233,135
Community and economic development	103,040	-	103,040
Recreation and culture	332,746	20,427	353,173
Other	162,729	-	162,729
Debt service:			
Principal retirement	-	111,500	111,500
Interest and fiscal charges	-	9,625	9,625
Total Expenditures	<u>2,065,811</u>	<u>462,714</u>	<u>2,528,525</u>
Excess of Revenues			
Over (Under) Expenditures	<u>67,021</u>	<u>(80,639)</u>	<u>(13,618)</u>
Other Financing Sources:			
Transfers in - component unit (DDA)	50,000	-	50,000
Transfers in	-	60,000	60,000
Transfers out	(60,000)	-	(60,000)
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>60,000</u>	<u>50,000</u>
Net Change in Fund Balances	57,021	(20,639)	36,382
Fund Balances - January 1	<u>870,927</u>	<u>252,651</u>	<u>1,123,578</u>
Fund Balances - December 31	<u>\$ 927,948</u>	<u>\$ 232,012</u>	<u>\$ 1,159,960</u>

See Notes to Financial Statements

Allendale Charter Township
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

Net change in fund balances-Total Governmental Funds	\$ 36,382
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Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized	8,900
Current year depreciation expense on capitalized assets	(146,124)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until collected or collectible within 60 days of year end

State shared revenues	13,269
Special assessment revenues	(3,281)

Repayments of bonds and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

115,296

In the statement of activities, interest is accrued on outstanding notes payable, whereas in governmental funds, an interest expenditure is reported when due

1,451

Change in compensated absences is recorded when earned in the statement of activities

6,708

Change in net assets of governmental activities

\$ 32,601

Allendale Charter Township
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2007

	<u>Enterprise Water and Sewer</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 2,227,733
Receivables:	
Accounts	608,879
Inventories	45,939
Prepaid items	<u>153,981</u>
Total Current Assets	<u>3,036,532</u>
Noncurrent Assets:	
Assessments receivable	403,550
Capital assets	<u>31,101,106</u>
Total Noncurrent Assets	<u>31,504,656</u>
Total Assets	<u>34,541,188</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	107,028
Accrued liabilities	72,653
Accrued payroll	22,092
Current portion of long-term debt	<u>625,885</u>
Total Current Liabilities	827,658
Noncurrent Liabilities:	
Long-term debt	<u>9,529,469</u>
Total Liabilities	<u>10,357,127</u>
NET ASSETS	
Invested in capital assets, net of related debt	20,945,752
Unrestricted, designated for capital projects	1,807,060
Unrestricted	<u>1,431,249</u>
Total Net Assets	<u>\$ 24,184,061</u>

Allendale Charter Township
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2007

	<u>Enterprise Water and Sewer</u>
Operating Revenues:	
Water sales	\$ 1,520,259
Sewage treatment sales	996,216
Other revenues	<u>141,854</u>
Total Operating Revenues	<u>2,658,329</u>
Operating Expenses:	
Cost of water	793,115
Operation and maintenance - water	509,393
Operation and maintenance - sewage treatment	854,341
General and administrative	238,150
Depreciation	<u>696,160</u>
Total Operating Expenses	<u>3,091,159</u>
Operating Income (Loss)	<u>(432,830)</u>
Nonoperating Revenues (Expenses)	
Interest income	111,198
Interest and fiscal charges	<u>(262,924)</u>
Total Nonoperating Revenues (Expenses)	<u>(151,726)</u>
Income (Loss) Before Contributions and Transfers	(584,556)
Capital contributions - assessments	1,148,045
Capital contributions - developers	<u>2,152,375</u>
Change in Net Assets	2,715,864
Net Assets - January 1	<u>21,468,197</u>
Net Assets - December 31	<u>\$ 24,184,061</u>

Allendale Charter Township
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2007

	<u>Enterprise Water and Sewer</u>
Cash Flows From Operating Activities:	
Receipts from customers	\$ 2,557,428
Payments to suppliers	(1,901,251)
Payments to employees	(475,279)
Net Cash Provided By Operating Activities	<u>180,898</u>
Cash Flows From Capital and Related Financing Activities:	
Capital contributions	1,048,101
Construction and purchase of capital assets	(2,469,495)
Proceeds from capital debt	2,020,592
Principal paid on capital debt	(468,792)
Interest paid on capital debt	(281,051)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(150,645)</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>111,198</u>
Net Increase in Cash and Investments	141,451
Cash and Investments - January 1	<u>2,086,282</u>
Cash and Investments - December 31	<u><u>\$ 2,227,733</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:	
Operating income (loss)	\$ (432,830)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	696,160
Change in assets and liabilities:	
Receivables	(48,486)
Other assets	4,603
Accounts payable	(36,021)
Accrued and other liabilities	(2,528)
Net Cash Provided By Operating Activities	<u>\$ 180,898</u>
Noncash capital financing activities:	
Contribution of capital assets from developers and others	<u><u>\$ 2,152,375</u></u>

See Notes to Financial Statements

Allendale Charter Township
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2007

	Agency Fund Type	
	Tax Collection	Allendale Historical Society
ASSETS		
Cash and investments	\$ 218,150	\$ 7,407
LIABILITIES		
Due to other units	\$ 218,150	\$ 7,407

Allendale Charter Township, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Allendale Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Allendale Charter Township:

A. Reporting Entity

Allendale Charter Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The township has no blended component units.

Discretely Presented Component Unit. The following component units are reported within the component units columns in the financial statements.

DDA Development - The Downtown Development Authority – Development was created to finance improvements to the central business district of the township. The Authority's twelve member governing board is appointed by the Township Board. In addition, the Authority's budget, tax rates and bonded debt are subject to approval by the Township Board. The DDA Development currently receives captured tax increment revenues and makes debt service payments on water and sewer debt.

DDA Leprino – The township established the DDA Leprino and entered into a development agreement and tax increment financing plan with Leprino Foods, Inc. The Authority's twelve member board is appointed by the Township Board. Leprino Foods, Inc. issued bonds to provide for construction of a wastewater treatment facility for the Company. Captured tax increment revenues for this expansion project are used to pay Leprino Foods, Inc. an interest subsidy on the debt related to this project.

Separate financial statements for the DDA's are not issued.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes (state shared revenues) collected and held by the State at year end on behalf of the township and paid to the township at the end of the following February are recognized as revenue in the year received. Such amounts are not normally received within 60 days of the end of the current fiscal year and are budgeted for use by the township in the year received. Other revenue is recorded when received.

The township reports the following major governmental funds:

General Fund - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The township reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Grand Rapids for storage and distribution to the township's customers.

This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the township reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the township in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the township's water and sewer functions and various other functions of the township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Bank Deposits and Investments.

The township maintains separate cash accounts for certain of its various funds as well maintaining a pooled cash account to facilitate the management of cash.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value.

2. Receivables and Payables.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

3. *Inventories and Prepaid Items.*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are not material and are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to January 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on invested bond proceeds over the same period. During the current year \$42,623 of net interest expense was capitalized as part of the cost of assets under construction.

Included in capital assets are the township's investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

6. *Compensated Absences.*

It is the township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

7. *Long-Term Obligations.*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund Equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

Although the township's 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the township's policy to recognize revenue from this levy in the year ended December 31, 2007, when proceeds of this levy are budgeted and made available for the financing of operations.

The 2006 taxable equivalency valuation of the township totaled \$303,455,650 (\$300,009,160 ad valorem and \$3,446,490 abated property), on which taxes levied consisted of 2.74220 mills for operating purposes and .36000 mills for library debt purposes. This resulted in \$475,861 (after reduction of \$356,253 for taxes captured by the DDA's) for operating purposes and \$109,872 for library debt purposes.

The above amounts are recognized in the General Fund and Library Debt Service Fund as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before November 30, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than November 30. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations as compared to budget for the General Fund is included in the required supplemental information.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	<u>\$ 1,000,777</u>	<u>\$ 2,227,733</u>	<u>\$ 225,557</u>	<u>\$ 3,454,067</u>	<u>\$ 892,556</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 2,872,172	\$ 892,556
Money Market Funds	<u>581,895</u>	<u>-</u>
Total	<u>\$ 3,454,067</u>	<u>\$ 892,556</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned. The township does not have a deposit policy for custodial credit risk. At year end the bank balance of the township's deposits was \$3,648,137 of which \$600,000 was covered by federal depository insurance and \$3,048,137 was exposed to custodial credit risk because it was uninsured and uncollateralized. The component units' entire bank balance of \$892,556 was uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments the township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The township has no investment policy that limits its investment choices beyond those required by state law. At year end the township had \$581,895 in permissible money market funds that are not separately rated.

Custodial Credit Risk-Investments. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the township will not be able to recover the value of its investments that are in the possession of the outside party. The township has not adopted a policy for investment custodial credit risk. The township's investments in money market accounts totaling \$581,895 are not subject to risk categorization.

Concentration of Credit Risk. State law does not limit and the township has not adopted a formal policy on the amount the township may invest in any one issuer. All investments held by the township at December 31, 2007 are in money market accounts.

B. Receivables

Receivables as of year-end for the township's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Nonmajor Funds</u>	<u>Agency</u>	<u>Total</u>
Receivables:					
Taxes	\$ 586,379	\$ -	\$ 79,913	\$ -	\$ 666,292
Accounts	60,919	608,879	1,460	-	671,258
Special assessments	-	403,550	8,433	-	411,983
Intergovernmental	<u>169,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,670</u>
Gross receivables	816,968	1,012,429	89,806	-	1,919,203
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 816,968</u>	<u>\$ 1,012,429</u>	<u>\$ 89,806</u>	<u>\$ -</u>	<u>\$ 1,919,203</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 712,808	\$ -
Special assessments	<u>7,989</u>	<u>-</u>
	<u>\$ 720,797</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 329,904	\$ -	\$ -	\$ 329,904
Construction in progress	-	-	-	-
Subtotal	329,904	-	-	329,904
Capital Assets Being Depreciated				
Buildings and improvements	2,709,154	-	-	2,709,154
Land improvements	641,234	-	-	641,234
Machinery and equipment	465,082	8,900	-	473,982
Office furniture and equipment	123,311	-	-	123,311
Vehicles	1,001,043	-	-	1,001,043
Infrastructure	16,749	-	-	16,749
Subtotal	4,956,573	8,900	-	4,965,473
Less Accumulated Depreciation for				
Buildings and improvements	(1,143,985)	(57,005)	-	(1,200,990)
Land improvements	(274,781)	(26,889)	-	(301,670)
Machinery and equipment	(303,747)	(17,772)	-	(321,519)
Office furniture and equipment	(80,451)	(8,187)	-	(88,638)
Vehicles	(533,905)	(35,155)	-	(569,060)
Infrastructure	(592)	(1,116)	-	(1,708)
Subtotal	(2,337,461)	(146,124)	-	(2,483,585)
Net Capital Assets Being Depreciated	2,619,112	(137,224)	-	2,481,888
Governmental Activities Total				
Capital Assets -Net of Depreciation	<u>\$ 2,949,016</u>	<u>\$ (137,224)</u>	<u>\$ -</u>	<u>\$ 2,811,792</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 33,459
Public safety	51,100
Public works	2,316
Recreation and culture	<u>59,249</u>
Total Governmental Activities	<u>\$ 146,124</u>

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 159,401	\$ -	\$ -	\$ 159,401
Construction in progress	<u>966,429</u>	<u>2,225,137</u>	<u>(946,765)</u>	<u>2,244,801</u>
Subtotal	<u>1,125,830</u>	<u>2,225,137</u>	<u>(946,765)</u>	<u>2,404,202</u>
Capital Assets Being Depreciated				
Buildings and improvements	184,674	-	-	184,674
Machinery and equipment	165,764	5,950	-	171,714
Water system	11,483,390	2,304,835	-	13,788,225
Sewer system	12,820,497	794,305	-	13,614,802
Sewer treatment plant	8,592,480	238,408	-	8,830,888
Vehicles	<u>178,055</u>	<u>-</u>	<u>-</u>	<u>178,055</u>
Subtotal	<u>33,424,860</u>	<u>3,343,498</u>	<u>-</u>	<u>36,768,358</u>
Less Accumulated Depreciation for				
Buildings and improvements	(67,269)	(8,300)	-	(75,569)
Machinery and equipment	(128,032)	(10,138)	-	(138,170)
Water system	(2,171,980)	(236,232)	-	(2,408,212)
Sewer system	(2,425,980)	(258,064)	-	(2,684,044)
Sewer treatment plant	(2,447,762)	(175,278)	-	(2,623,040)
Vehicles	<u>(134,271)</u>	<u>(8,148)</u>	<u>-</u>	<u>(142,419)</u>
Subtotal	<u>(7,375,294)</u>	<u>(696,160)</u>	<u>-</u>	<u>(8,071,454)</u>
Net Capital Assets Being Depreciated	<u>26,049,566</u>	<u>2,647,338</u>	<u>-</u>	<u>28,696,904</u>
Business Type Activities Total				
Capital Assets -Net of Depreciation	<u>\$ 27,175,396</u>	<u>\$ 4,872,475</u>	<u>\$ (946,765)</u>	<u>\$ 31,101,106</u>

Depreciation expense was charged to programs of the business-type activities as follows:

Business Type Activities	
Water and sewer	<u>\$ 696,160</u>

Capital asset activity of the Downtown Development Authority for the current year was as follows:

Component Unit - DDA-Development	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 315,754	\$ -	\$ -	\$ 315,754
Construction in progress	19,352	863,124	-	882,476
Subtotal	335,106	863,124	-	1,198,230
Capital Assets Being Depreciated				
Machinery and Equipment	13,350	-	-	13,350
Infrastructure	1,048,184	89,338	-	1,137,522
Subtotal	1,061,534	89,338	-	1,150,872
Less Accumulated Depreciation for				
Machinery and Equipment	(181)	(1,335)	-	(1,516)
Infrastructure	(28,425)	(40,435)	-	(68,860)
Subtotal	(28,606)	(41,770)	-	(70,376)
Net Capital Assets Being Depreciated	1,032,928	47,568	-	1,080,496
Component Unit Total Capital Assets -Net of Depreciation	\$ 1,368,034	\$ 910,692	\$ -	\$ 2,278,726

Depreciation expense was charged to programs of DDA as follows:

Governmental Activities	
Public works	\$ 40,435
Recreation and culture	1,335
Total Governmental Activities	\$ 41,770

Construction Commitments-The township had no significant construction commitments as of December 31, 2007.

D. Interfund Receivables, Payables and Transfers

At December 31, 2007, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	Transfers Out	
	General Fund	
Transfers In:		
Cemetery Improvements Fund	\$ 10,000	(1)
Roads Fund	<u>50,000</u>	<u>(1)</u>
	<u>\$ 60,000</u>	

The following describes the nature of significant transfers:

- (1) Transfers from General Fund for annual operating purposes

E. Long-Term Debt

The township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity for the township can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
1998 Library Building , interest rates from 4.50%-4.75%, maturing 2008	\$ 850,000	\$ 210,000	\$ -	\$ (100,000)	\$ 110,000	\$ 110,000
Land contracts payable						
1999 Cemetery Land (Kennedy), interest rate of 5.0%, maturing 2010	140,000	34,500	-	(11,500)	23,000	11,500
Byron Bank (pick-up truck), interest rate of 5.04%, maturing 2011	20,940	<u>20,940</u>	<u>-</u>	<u>(3,796)</u>	<u>17,144</u>	<u>3,988</u>
Total Governmental Activities		<u>\$ 265,440</u>	<u>\$ -</u>	<u>\$ (115,296)</u>	<u>\$ 150,144</u>	<u>\$ 125,488</u>

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities						
County Contractual Obligations						
1998 Michigan Municipal Bond Authority (WWTP), interest rate of 2.25%, maturing 2019	\$ 4,754,466	\$ 3,319,446	\$ -	\$ (225,000)	\$ 3,094,446	\$ 230,000
2000 Michigan Municipal Bond Authority (M-45), interest rate of 2.50%, maturing 2020	1,812,090	1,362,090	-	(80,000)	1,282,090	80,000
2004 County Revolving Fund Loan (68th Ave), interest rate of 3.00%, maturing 2009	340,000	182,018	-	(68,792)	113,226	70,885
2005 Water Supply & Sewage Disposal, interest rates from 3.00% to 4.25%, maturing 2025	2,625,000	2,565,000	-	(95,000)	2,470,000	95,000
2006 Water Supply Improvement, interest rates from 3.50% to 4.20%, maturing 2026	1,175,000	1,175,000	-	-	1,175,000	40,000
2007 Michigan Municipal Bond Authority, interest rate of 2.125%, maturing 2027	2,020,592	-	2,020,592	-	2,020,592	110,000
Total Business-Type Activities		<u>\$ 8,603,554</u>	<u>\$ 2,020,592</u>	<u>\$ (468,792)</u>	<u>\$ 10,155,354</u>	<u>\$ 625,885</u>

Bond and contractual obligation activity for the discretely presented component units can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
DDA - Development						
County Contractual Obligation						
2004 County Revolving Fund Loan (Trader's Creek), interest rate of 3.00%, maturing 2009	\$ 365,000	\$ 183,247	\$ -	\$ (74,221)	\$ 109,026	\$ 76,478
Land Contract Payable						
2005 68th Avenue Property (Kleinjans) interest rate of 8%, maturing 2008	140,000	109,093	-	(4,633)	104,460	104,460
Total Component Units		<u>\$ 292,340</u>	<u>\$ -</u>	<u>\$ (78,854)</u>	<u>\$ 213,486</u>	<u>\$ 180,938</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 125,488	\$ 4,627	\$ 625,885	\$ 279,080	\$ 180,938	\$ 3,615
2009	15,689	1,238	617,341	266,824	32,548	245
2010	4,400	452	585,000	251,947	-	-
2011	4,567	230	605,000	236,842	-	-
2012	-	-	620,000	221,023	-	-
2013-2017	-	-	3,365,000	849,260	-	-
2018-2022	-	-	2,721,536	385,403	-	-
2023-2027	-	-	1,015,592	65,304	-	-
	<u>\$ 150,144</u>	<u>\$ 6,547</u>	<u>\$ 10,155,354</u>	<u>\$ 2,555,683</u>	<u>\$ 213,486</u>	<u>\$ 3,860</u>

F. Restricted Assets

The township has no restricted assets at December 31, 2007.

NOTE 4. OTHER INFORMATION

A. Risk Management

The township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The township has purchased full multi-peril insurance coverage underwritten by the Michigan Township Participating Plan. The township is fully insured for workers compensation claims by coverage underwritten by Accident Fund. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Township Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

B. Pension Plan

The Allendale Charter Township Pension Plan is a defined contribution plan established by the township to provide benefits at retirement to eligible employees of the township meeting length of service requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At December 31, 2007, there were 37 plan participants. The township is required to contribute 5% of covered compensation. Plan participants are required to contribute 3% of covered compensation. Contributions to the Plan by the township were \$53,895 for the year ended December 31, 2007. Plan provisions and contribution requirements are established and may be amended by the Allendale Charter Township Board.

Required Supplementary Information

Allendale Charter Township
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 618,580	\$ 618,580	\$ 607,318	\$ (11,262)
Licenses and permits	110,250	116,250	127,906	11,656
State shared revenues and grants	1,027,000	1,027,000	997,394	(29,606)
Charges for services	29,900	38,400	44,832	6,432
Fines and forfeits	86,000	86,000	90,379	4,379
Interest	37,000	44,000	94,725	50,725
Other	108,600	108,600	170,278	61,678
Total Revenues	2,017,330	2,038,830	2,132,832	94,002
Expenditures:				
Current:				
General Government:				
Township Board	25,507	30,872	29,480	1,392
Supervisor	40,942	40,942	39,401	1,541
Elections	-	500	363	137
Finance	63,538	63,538	62,638	900
Audit	6,250	6,250	4,380	1,870
Assessor	109,110	159,000	155,835	3,165
Attorney	27,500	38,000	36,839	1,161
Clerk	100,337	100,337	96,127	4,210
Board of review	2,150	2,150	1,557	593
General office	80,420	80,420	72,795	7,625
Treasurer	8,540	8,540	8,492	48
Building and grounds	176,037	180,000	177,895	2,105
Cemetery	24,358	28,000	27,197	803
Total General Government	664,689	738,549	712,999	25,550
Public Safety:				
Sheriff	257,810	235,000	228,543	6,457
Fire department	385,793	385,793	338,813	46,980
Total Public Safety	643,603	620,793	567,356	53,437
Public Works:				
Drains	6,000	13,136	13,136	-
Highway M-45	104,248	117,500	116,618	882
Street lighting	47,500	57,800	57,187	613
Total Public Works	157,748	188,436	186,941	1,495

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development				
Planning commission	23,915	23,915	11,608	12,307
Planning and zoning department	86,603	91,000	90,605	395
Zoning board of appeals	3,807	3,807	827	2,980
Total Community and Economic Development	114,325	118,722	103,040	15,682
Recreation and Culture:				
Community promotions	16,575	17,055	16,465	590
Recreation and parks	66,433	80,000	76,618	3,382
Library	226,776	235,000	231,799	3,201
Senior citizens activities	6,725	8,500	7,864	636
Total Recreation and Culture	316,509	340,555	332,746	7,809
Other:				
Health insurance	132,592	134,062	132,714	1,348
Other fringes	28,670	31,154	30,015	1,139
Total Other	161,262	165,216	162,729	2,487
Total Expenditures	2,058,136	2,172,271	2,065,811	106,460
Excess Of Revenues Over Expenditures	(40,806)	(133,441)	67,021	200,462
Other Financing Sources (Uses):				
Transfers in - component unit (DDA)	50,000	50,000	50,000	-
Transfers out	(60,000)	(60,000)	(60,000)	-
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(10,000)	-
Net Change in Fund Balances	(50,806)	(143,441)	57,021	200,462
Fund Balances - January 1	870,927	870,927	870,927	-
Fund Balances - December 31	\$ 820,121	\$ 727,486	\$ 927,948	\$ 200,462

Other Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Library Special Projects Fund – This fund accounts for funds raised for the purchase of library supplies and equipment.

Building Department – This fund accounts for revenues and expenditures related to the cost of operating the building construction code enforcement activities of the Township. The fund is required by PA 230 of 1972, as amended by PA 245 of 1999.

Fire Special Projects Fund – This fund accounts for funds raised for the purchase of fire department supplies and equipment.

Cemetery Improvement Fund – This fund accounts for the funds received for cemetery lots and used for general improvements.

Roads Fund – This fund accounts for special assessment revenues to be used for the construction of roads.

Debt Service Funds

Debt service funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Library Building – This fund accounts for the retirement of general obligation bonds used to finance construction of a Township library building.

Allendale Charter Township
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007

	Nonmajor Special Revenue Funds						Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
	Library Special Projects	Building Department	Fire Special Projects	Cemetery Improvement	Roads	Total	Library Building	
ASSETS								
Cash	\$ 26,873	\$ 68,708	\$ 9,045	\$ 4,922	\$ 121,694	\$ 231,242	\$ 37,665	\$ 268,907
Receivables:								
Taxes	-	-	-	-	-	-	79,913	79,913
Accounts	-	1,460	-	-	-	1,460	-	1,460
Special assessments	-	-	-	-	8,433	8,433	-	8,433
Prepaid expenses	-	2,299	-	-	-	2,299	-	2,299
TOTAL ASSETS	\$ 26,873	\$ 72,467	\$ 9,045	\$ 4,922	\$ 130,127	\$ 243,434	\$ 117,578	\$ 361,012
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 939	\$ 1,318	\$ -	\$ -	\$ 2,168	\$ 4,425	\$ -	\$ 4,425
Accrued payroll	-	1,175	-	-	-	1,175	-	1,175
Deferred revenue	-	-	-	-	7,989	7,989	115,411	123,400
Total liabilities	939	2,493	-	-	10,157	13,589	115,411	129,000
Fund Balances:								
Reserved	-	69,974	-	-	-	69,974	2,167	72,141
Unreserved	25,934	-	9,045	4,922	119,970	159,871	-	159,871
Total Fund Balances	25,934	69,974	9,045	4,922	119,970	229,845	2,167	232,012
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,873	\$ 72,467	\$ 9,045	\$ 4,922	\$ 130,127	\$ 243,434	\$ 117,578	\$ 361,012

Allendale Charter Township
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2007

	Nonmajor Special Revenue Funds						Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
	Library Special Projects	Building Department	Fire Special Projects	Cemetery Improvement	Roads	Total	Library Building	
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,321	\$ 109,321
Licenses and permits	-	231,295	-	-	-	231,295	-	231,295
Charges for services	20,333	-	1,307	5,650	-	27,290	-	27,290
Interest	1,013	3,118	456	148	4,537	9,272	143	9,415
Other	-	-	1,474	-	3,280	4,754	-	4,754
Total Revenues	<u>21,346</u>	<u>234,413</u>	<u>3,237</u>	<u>5,798</u>	<u>7,817</u>	<u>272,611</u>	<u>109,464</u>	<u>382,075</u>
Expenditures:								
Current:								
General government	-	-	-	237	-	237	800	1,037
Public safety	-	267,178	6,753	-	-	273,931	-	273,931
Public works	-	-	-	-	46,194	46,194	-	46,194
Recreation and culture	20,427	-	-	-	-	20,427	-	20,427
Debt service:								
Principal retirement	-	-	-	11,500	-	11,500	100,000	111,500
Interest and fiscal charges	-	-	-	1,725	-	1,725	7,900	9,625
Total Expenditures	<u>20,427</u>	<u>267,178</u>	<u>6,753</u>	<u>13,462</u>	<u>46,194</u>	<u>354,014</u>	<u>108,700</u>	<u>462,714</u>
Excess of Revenues Over (Under) Expenditures	919	(32,765)	(3,516)	(7,664)	(38,377)	(81,403)	764	(80,639)
Other Financing Sources (Uses):								
Transfers in	-	-	-	10,000	50,000	60,000	-	60,000
Net Change in Fund Balances	919	(32,765)	(3,516)	2,336	11,623	(21,403)	764	(20,639)
Fund Balances - January 1	<u>25,015</u>	<u>102,739</u>	<u>12,561</u>	<u>2,586</u>	<u>108,347</u>	<u>251,248</u>	<u>1,403</u>	<u>252,651</u>
Fund Balances - December 31	<u>\$ 25,934</u>	<u>\$ 69,974</u>	<u>\$ 9,045</u>	<u>\$ 4,922</u>	<u>\$ 119,970</u>	<u>\$ 229,845</u>	<u>\$ 2,167</u>	<u>\$ 232,012</u>

Other Supplemental Data

Discretely Presented Component Units

The Discretely Presented Component Units are reported separately from the Township's other funds to emphasize that they are legally separate from the Township. There are two component unit Downtown Development Authorities that are reported in this manner, DDA Development and DDA Leprino. Both are presented as governmental fund types.

DDA Development – The Authority was created to finance improvements to the central business district of the Township. The Authority receives captured tax increment revenues and makes debt service payments on bonds issued through Ottawa County issued to provide construction of water and sewer improvements.

DDA Leprino – The Authority was created to finance improvements to a wastewater treatment facility for Leprino Foods, Inc. The Authority receives captured tax increment revenues and pays Leprino Foods, Inc. a debt service subsidy on bonds issued by the Company to finance the project.

Allendale Charter Township
 COMPONENT UNIT - DDA DEVELOPMENT
 BALANCE SHEET
 December 31, 2007

ASSETS

Cash and investments	\$ 724,276
Taxes receivable	119,516
Accounts receivable	<u>137,881</u>

TOTAL ASSETS	<u>\$ 981,673</u>
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LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 191,417
Deferred revenue	<u>457,973</u>

Total Liabilities	649,390
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Fund Balance:

Unreserved	<u>332,283</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 981,673</u>
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Component Unit Fund Balance	\$ 332,283
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Amounts reported for the Component Unit in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,278,726
Long term liabilities are not due and payable in the current period and are not reported in the funds	<u>(213,486)</u>

Component Unit Net Assets	<u>\$ 2,397,523</u>
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Allendale Charter Township
 COMPONENT UNIT - DDA DEVELOPMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Year Ended December 31, 2007

Revenues:	
Taxes	\$ 1,041,870
Interest	24,058
Other	<u>161,162</u>
Total Revenues	<u>1,227,090</u>
Expenditures:	
Current:	
General government	3,612
Public works	1,046,829
Recreation and culture	137,242
Debt Service:	
Principal retirement	78,854
Interest and fiscal charges	<u>12,281</u>
Total Expenditures	<u>1,278,818</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,728)
Other Financing Sources (Uses):	
Transfers out to primary government	<u>(50,000)</u>
Net Change in Fund Balance	(101,728)
Fund Balance - January 1	<u>434,011</u>
Fund Balance - December 31	<u><u>\$ 332,283</u></u>

Net Change in Fund Balance - Component Unit	\$ (101,728)
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Amounts reported for the Component Unit's activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation	
Current year capital outlays capitalized	952,462
Current year depreciation expense on capitalized assets	(41,770)
Repayments of bonds payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	<u>78,854</u>
Change in Net Assets - Component Unit	<u><u>\$ 887,818</u></u>

Allendale Charter Township
COMPONENT UNIT - DDA LEPRINO
BALANCE SHEET
December 31, 2007

ASSETS

Cash and investments	<u>\$ 168,280</u>
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LIABILITIES AND FUND BALANCE

Liabilities:

Deferred revenue	\$ 27,179
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Fund Balance:

Reserved for debt service	<u>141,101</u>
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TOTAL LIABILITIES
AND FUND BALANCE

\$ 168,280

Allendale Charter Township
 COMPONENT UNIT - DDA LEPRINO
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 Year Ended December 31, 2007

Revenues:	
Taxes	\$ 292,336
Interest	<u>2,547</u>
Total Revenues	<u>294,883</u>
Expenditures:	
Current:	
Public works	893
Debt Service:	
Principal retirement	-
Interest and fiscal charges	<u>250,368</u>
Total Expenditures	<u>251,261</u>
Net Change in Fund Balance	43,622
Fund Balance - January 1	<u>97,479</u>
Fund Balance - December 31	<u><u>\$ 141,101</u></u>



April 14, 2008

Township Board
Allendale Charter Township
Allendale, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allendale Charter Township as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Allendale Charter Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our Responsibilities

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

Definitions Related to Internal Control Deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township.

Identified Deficiencies in Internal Control

We consider the following deficiencies to be significant deficiencies in internal control.

1. **Auditor Adjustments** - During the course of the 2007 audit several adjustments were proposed by the auditor to properly record amounts for accrued payroll, receivables for water and sewer, special assessments receivable/earned, developer deposits, contract retainages payable, and debt payments.

We believe the following deficiencies constitute material weaknesses.

1. **Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)** - As is the case with many smaller and medium-sized governmental units, the Township relies on its independent external auditors to assist in the preparation of the annual financial statements and related footnote disclosures. While the Township generally understands all the information included in the annual financial statements, the Township's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its reliance on its external auditors, who by definition cannot be considered a part of the Township's internal controls. As a result the Township lacks internal controls over the preparation of annual financial statements in accordance with GAAP. We

recommend no changes to this situation at this time as the Township has determined it is more cost effective to continue to outsource this task to its external auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

2. **Fixed Asset Accounting** - The Township lacks controls and procedures to identify property and equipment acquired during the year that is subject to capitalization in accordance with the Township's fixed asset capitalization policy. This is true for both general fixed asset acquisitions and acquisitions in the water & sewer fund. It is necessary for the auditor to propose adjustments to properly reflect this activity.
3. **Water and Sewer Fund Debt/Construction Activity** - The Township's general ledger did not reflect the issuance of debt or the related construction activity of the 2007 Drinking Water Revolving Fund Loan or the construction activity on the 2006 Water Supply Bonds issued through Ottawa County, both of which are administered by the Ottawa County Road Commission. It is necessary for the auditor to propose adjustments to properly reflect this activity.
4. **Cash and Investments** - The Township's finance director has the authority to make cash transfers and invest Township funds without significant oversight. The finance director is also responsible for preparing bank reconciliations and making all accounting entries relating to transfers and investment activity. This results in the danger that intentional or unintentional errors could be made and not detected.

Other Matters

1. **Payment of Property Tax Collections** - State law requires that property taxes collected on behalf of other taxing units be distributed within 10 business days after the first and fifteenth of the month in which collected. At various times during the year the Township was delinquent on its tax distributions. We recommend the Township develop procedures to ensure that tax distributions are made on a timely basis.

This communication is intended solely for the information and use of management, the Board of Trustees, and others in the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Kickover, Scholma & Shumaker, PC